

ON THE RELATIONSHIP BETWEEN LOCAL ECONOMIC DEVELOPMENT AGENCIES (LEDA)  
AND TERRITORIAL DEVELOPMENT: WHAT LESSONS LEARNED?

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**Abstract:**

*Although several years of economic recession, because of low oil prices, and civil violence, Algeria is now experiencing a continuation of economic growth and a successful stabilization the crude oil prices are helping the government to accelerate further to absorb several challenges and obstructs that facing the economic development process such as environmental degradation, poverty, unemployment, economic stagnation ect...*

*Recently LED has become a widely practised development strategy in many developed countries and especially by using LEDAs. Several local administrations have established comprehensive LED programmes including the establishment of LED units and the pursuit of a range of developmental strategies.*

*In this modest paper we will try to give an introduction to LED, its objectives, and short-term procedures to create successfully LED Agencies; and then we will clear up the significant role played by LED Agencies in territorial development, making a sustainable economic growth and the whole macroeconomic goals achievement*

**JEL codes:** O290.

**Key Words:** Local economic development (LED), Local economic development Agencies (LEDA, Economic growth in MENA region, Territorial development, rural development...

**Introduction to local economic development (led) :**

**Introduction :**

Local economic development (LED) is considered as an exciting discipline that offers city managers a unique opportunity to work with partners to improve the quality of life and the competitiveness of their communities from small and intermediate rural centres to mega-cities. LED processes include many different disciplines, utilities and functions.

In this section we'll try to give some definitions, characteristics, and approaches for LED, in order to highlight our knowledge about this important topic.

The purpose of local economic development (LED) is to support the economic capacity of local areas to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. And by the way; the World Bank identify Local economic development in its website just like what follows, "Local economic development is about local communities working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community".

"Local economic development is a strategically planned, locally driven partnership approach to enabling employment growth, poverty reduction and quality of life gains through improved local economic governance".

(www.worldbank.org/urban/led)

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Then LED is defined as a strategic approach and process where the communities trying to continually upgrade their competitiveness within their local business environments. And by the way there exist many ways and models by which Local communities respond to their LED needs, such as the following ones:

- Encouraging new entrepreneurship
- Supporting small and medium sized businesses
- Attracting investment from elsewhere (locally, nationally and internationally)
- Investing in both hard and soft infrastructures (including human resource development, institutional support systems and regulatory issues); and
- Working together to create a good quality of life...

In fact, the success of any society today depends on its ability to adjust its efforts to the active local, national and international market economy. Strategically planned LED is increasingly a useful tool to strengthen and reinforce the local economic capability of an area, improve the investment climate, develop the abilities and the quality of life for the society, and increase the output, the productivity and competitiveness of local businesses, entrepreneurs and workers. The ability of communities to improve the quality of life, create new economic opportunities and fight poverty and several other Millennium Goals depends upon them being able to understand the processes of LED, and act strategically collectively in order to achieve these goals within today's competitive market economy. Otherwise, each society has a unique set of local conditions and advantages that either enhance or reduce the potential for local economic development, these advantages determine the abilities to attract, create and maintain investment. Then to build a strong local economy up with good practice confirms that each area should carry out a collaborative process to realize the environment and structure of the local conditions, and conduct an analysis of the area's strengths, weaknesses, opportunities and threats. This will provide to highlight the key issues and opportunities facing the local economy, in aim to gather the efforts to build a strong sustainable local economic growth. Thus a dynamic public-private partnership is the key factor to create wealth in local communities. Successful Private enterprise however, involves an encouraging business enabling environment to distribute richness. Community government has an essential role in constructing a favourable atmosphere for business growth and success. By its meaning, LED is a durable partnership between all the community driving forces including the private sector, non-governmental organizations and municipal government.

#### A- Brief History of LED:

We cannot understand anything today without having a look at its development history. Then, we need to do the same with LED, We can say that LED has passed through three main stages since the 1960s. These stages are called by economists as the three 'waves' of LED. In each of these stages; economists have developed a superior understanding of what works and what doesn't, in any process of local economic development.

Otherwise we can say that the modern history of local economic development programs has started with the efforts of several regions all around the world even before the World War II, beginning with Mississippi in the 1930s, to aggressively recruit manufacturing branch plants from the North (Cobb, 1982). LED programs were significantly expanded in the late 1960s till the early 1980s. During this period, LED also expanded the types of firms and activities that were assisted. The whole focus was on the attraction of mobile manufacturing investment from outside the area especially the attraction of foreign direct investment, on attracting new branch plants with financial incentives, and moreover; on making a hard infrastructure investment. This stage of Local Economic development is called the "First Wave".

The "Second Wave" programs which have been implemented between the early 1980s and the mid 1990s also tended to include more special focuses on the retention and growing of existing local businesses, and small businesses and help them to be more competitive against the larger firms; but this was becoming more targeted to specific sectors or from certain areas.

Since the late 1990s, the focus of LED programs has shifted from individual direct firm financial transfers to making the entire business environment more conducive and advantageous to business, and that created the "Third Wave" of LED. During this third (and current) wave of LED more focus is placed on soft infrastructure investments, Public/Private partnerships, Networking and the leveraging of private sector investments for the public good, the investment attraction to add to the competitive advantages of local areas.

We should highlight that even though LED has moved throughout each of these waves, elements of each wave are still practiced today. For example, during the first 'wave' cities invested in expensive industrial

employment campaigns to attract foreign direct investment. But later they realized that this is one of the most expensive and most risky strategy of LED ones to pursue. Although this, it is still practiced profoundly today, especially in the developed countries.

The "Third Wave" concept is that rather than having government directly provides economic development services to small and existing businesses; the government should encourage private sector providers, ideally operating in a competitive market, to provide such economic development services. Under the Third Wave approach, the government would still be involved with economic development, because it would provide some financial support and guidance to these private economic development service providers.

But government would only pay a part rather than 100% of the cost of providing economic development services.

Michigan's Capital Access Program is an example of a "Third Wave" program. The "Capital Access" program is an alternative to a traditional economic development business loan program, in which the government directly makes loans or guarantees bank loans. Under the Capital Access program, a small business borrower and a participating bank each pay a fee of between 1.5% and 3.5% of the value of the loan. The state government matches the total contribution of the borrower and bank (i.e., pays in between 3% and 7% of the loan's value). These funds go into a loan loss reserve fund for each bank. A bank's losses from program loans are covered its individual loan loss reserve fund, but losses beyond the bank's reserve fund are the bank's responsibility. The program is intended to give bank's incentives to make above normal risk loans, but not too risky. Banks should not want to make normal loans under this program because of the extra fees involved that are not recovered unless there is a default. On the other hand, banks should not want to make too many risky loans because of the bank's exposure if its fund should be exhausted. (Jerry HEMBD, 2007). Moreover; there exist many other techniques for local and regional communities to work collaboratively in aim to increase regional competitiveness such as the following ones:

- Developing university and research consortia across regions
  - Regional promotion to attract and retain investment
  - Developing regional supply chains to attract and increase investment
  - Developing specialist institutions of higher learning
  - Developing regional business clusters
  - Improving regional transportation links and improving regional technology transfer...
- These techniques might creates perfect background for the local communities thinking to develop LED strategies in order to make sure that they can completely progress within any new challenges or competition. Otherwise LED is a central discipline to achieve the growth for any region and will frequently have close linkages with approximately all local authority policies. In view of the fact that it is a local economic developers' responsibility to create a competitive business atmosphere the connections with other local authority strategies must be significant. And by the way it's so important that professionals in local government aim to balance the economic growth needs of a region with its environmental and social needs.

#### **Objectives of Local Economic Development :**

In recent years, more responsibility being placed local government to develop strategies in order to increase and grow local and regional economies, in addition to all the efforts that have been used up to emphasis on poverty reduction and decentralization (Millennium Development Goals). Then we can find out several objectives of LED, just like the ones that will be cited later in this paper. Anyway; the major aim of LED programmes is to support local participation and harmony building to determine economic and social benefit initiatives for the whole area and the community. The concept of local economic development is based on promoting local approaches that respond to local needs and conditions; nevertheless there is no single model of how to realize LED or of what policies and actions to implement, as the effectiveness of local development is influenced by a range of associations and procedures. The importance of local ownership of the development process is however central to most LED approaches, which immediately views development surrounded by the context of governance, spatial society growth and civil society at all levels.

Then LED requires the creation of an atmosphere that allows the encouragement of new opportunities, in regions where there may be limited existing opportunities for economic growth. LED plans should intend to build up, strengthen and reinforce good governance, and identify sustainable frameworks for local national and



international actors within the local economic strategies and plans of growth for the local community, and particularly for the poor.

LED has usually an essential role in maintaining the local region's growth and quality of life for both business-related actors and inhabitants in the areas where it has been applied; furthermore it (LED) also helps to attract more investments that certainly provide both the jobs, the technology and taxes that local areas need to continue and develop their public services; this can be the most important component of any area's success procedures. LED generally used to achieve several goals: the following ones are the most frequent to guide the current state of economic development of the concerned areas.

- Create a climate for investment
- Supporting local businesses in aim to grow up the local economy
- Encourage local, national and international entrepreneurship within the region
- Provide sustainable growth in the local economy
- Create and maintain high and stable levels of employment
- Contribute growth to sustainable communities
- Create additional job providers and taxpayers by helping new small and medium sized businesses start up and grow within the region
- Create business opportunities that strengthen economic competitiveness in the area.
- Improve the skillfulness of local people, to stand in front of foreign competitiveness
- Improve the quality of life for residents
- Improve interior procedures to reduce time and variability in planning and getting agreement
- Encourage small rural businesses to increase the employment and economic benefits they create to the local economy.
- Build community support and involvement Support businesses that can offer quality services to meet the needs of the society and enhance the strengths of the business market in the area.
- Work in partnership with local stakeholders to develop training conditions, push business growth, and highlight the significance of staff training as a helpful business tool
- Create a high-quality living environment and diversified market ...

By the way, successful LED depends on the collective forces of the public, private and society sectors, and then to achieve those objectives and many others, economic development actors should join their forces and cooperate with each other, in both short and long-term, because LED is everybody's business. in the next section we would mention some of those actors.

#### The major players on Local economic development :

Table 1 includes the major potential stakeholders and actors on LED which include:

Public Sector	Private Sector	Community Sector
<ul style="list-style-type: none"> <li>- Local government</li> <li>- State government</li> <li>- Health Authority</li> <li>- Transportation Authority</li> <li>- Institutions of higher learning</li> <li>- Education Board/Authority</li> <li>- Utilities</li> </ul>	<ul style="list-style-type: none"> <li>- Chamber of Commerce</li> <li>- Board of Trade</li> <li>- Business associations</li> <li>- Large corporations</li> <li>- SME representatives</li> <li>- Private developers</li> <li>- News media</li> <li>- Professional associations</li> <li>- Higher learning establishments</li> <li>- Utilities</li> <li>- Town center improvement groups, etc.</li> </ul>	<ul style="list-style-type: none"> <li>- Individuals</li> <li>- Neighborhood groups</li> <li>- Social &amp; religious groups</li> <li>- Youth groups</li> <li>- Environmental groups</li> <li>- Voluntary service groups</li> <li>- Historic societies</li> <li>- Cultural and arts groups</li> <li>- Educational groups</li> <li>- Groups representing minorities</li> </ul>

Source: <http://go.worldbank.org/PXDWHZF0>

Local governments address a wide range of economic development needs, and they can also identify and offer the essential leadership to organize and build partnerships and coalitions. Local governments execute many responsibilities in support of LED, such as:

- local economy analysis
- administration of leadership to LED strategies and projects
- provision of several vital economic components just like financing to support LED
- Create and maintain an environment that accelerates business growth...

**Private and community sector participation :**

- provides the community with a wide range of resources and knowledge
- de-politicizes LED projects, thus allowing for their long-term sustainability
- the increase in resources and sustainability bolsters the confidence of potential investors, thereby increasing the attractiveness of the community to businesses
- Developing mobilization and consensus building skills prepares local government leaders for the challenges that emerge as participation increases and different perspectives emerge.

The **private sector** consists of for-profit businesses and their representatives. It includes:

- individual manufacturing or service sector commercial businesses (ranging from large state-owned corporations or multinational corporations to a sole trader),
- private developers; and Chambers of Commerce and other Business Support Organizations (BSOs), sometimes called intermediaries.

The **community sector** includes all those parties not in the public or private sector. Key agents in the community sector include:

- individuals;
- professional associations;
- churches and neighborhood groups;
- educational institutions; and
- NGOs (non-governmental organizations that can operate more freely than regulated governmental units).

**Source:** Swinburn, Gwen. *Local Economic Development: Good Practice from the European Union (and beyond)*. Draft for Consultation. 2000.

Otherwise; Successful and productive public-private partnerships create wealth in local communities. Private enterprise however, requires a constructive business enabling environment to deliver prosperity. Thus municipal governments have an essential role in creating a favourable environment for business development and success. By its nature, LED is a partnership between the municipal government, business sector, and community interests. LED is usually strategically planned by local government in conjunction with other public and private sector partners. Implementation is carried out by the public, private and non-governmental sectors according to their abilities and strengths.

**Why Local Economic Development?**

Communities attempted to expand their economic and employment base by devising and undertaking strategic programs and projects to facilitate investment and remove obstacles. Today, local economies face an even greater set of challenges. These take account of:

**National :**

At the national level, macro-economic, fiscal and monetary reforms have directly impacted the economy at the local level. National regulatory and legal frameworks such as tax reform, telecommunications deregulation and environmental standards directly influence the local business climate, either enhancing or reducing the potential for local economic development. In many countries, national government functions continue to be decentralized thereby increasing the responsibility of municipal governments to retain and attract private industry.

**International :**

Globalization increases both opportunities and competition for local investment. It offers opportunities for local businesses to develop new markets but also presents challenges from international competitors entering local markets. Multi-site, multi-national manufacturing, banking and service corporations compete globally to find cost efficient sites in which to locate. Technologically advanced growth industries require highly specialized skills and a supporting technology infrastructure, but increasingly all industrial and service sectors need highly specialized and specific skills and business environments. Local conditions determine the relative advantage of an area and its ability to attract and retain investment. Even small towns and their surrounding rural regions can develop local economic opportunities at a national or international level by building on their local economic strengths.

#### **Regional :**

Communities within and between regions often compete to attract external and local investment. Opportunities exist for communities across regions to collaborate with each other to help their economies grow, for example, by supporting infrastructure or environmental improvements that demonstrate a broad regional impact. An association of local municipalities or regional governments can serve to facilitate these types of LED effort by acting as an intermediary between national and municipal governments.

#### **Metropolitan and Municipal :**

Businesses, both large and small, often choose to locate in urban areas because of agglomeration economies (i.e., the benefits derived from sharing markets, infrastructure, labor pools and information with other firms). The economic advantage of urban areas depends significantly on the quality of urban governance and management, and on the policies affecting the availability, or lack, of electricity, transport, telecommunications, sanitation and developable urban land. Factors affecting labor productivity in the local economy include the availability and quality of housing, health and education services, skills, security, training opportunities and public transport. These 'hard' and 'soft' infrastructure factors are major determinants of a community's relative advantage. The quality and provision of 'hard' and 'soft' infrastructure forms the cornerstone of a successful local economy.

Metropolitan areas can offer increasing opportunities through economies of scale and effort as a result of the size of the physical and human capital available, as well as the size of its services and internal market. Uncoordinated and disparate institutional frameworks and planning bodies in metropolitan areas can serve to undermine area-wide economic growth. Metropolitan-wide LED agencies, consortia and networks can be created to address these constraints. These innovative institutional frameworks, which represent the interests of different municipalities and partner agencies in the same metropolitan area, can bring benefits to the key actors of each municipality (public departments, business and civil society organizations). These frameworks can serve to unite the efforts of different localities and increase LED results, and can strengthen representation in higher levels of decision-making. This type of cooperation has worked well for cities that belong to common market agreements or that have common sector interests (i.e. Eurocities<sup>6</sup>, Indonesian City Network<sup>7</sup>, and South African Cities Network<sup>8</sup>). By the way, South African government has created four LEDA were joined by the SEHD Programme at the end of 2003 (SEHD, undated). The four agencies are:

- 1- LOREDA (Lower-Orange Economic Development Activator) (or SIYEDA), located in the Siyanda district municipality of the Northern Cape Province with offices in Upington.
- 2- NKEDU (Nkomazi Economic Development Unit) located in the Nkomazi local municipality of Mpumalanga; offices in Malclane.
- 3- ORTEDA (OR Tambo Economic Development Agency) in the OR Tambo district municipality of the Eastern Cape; offices in Umtata.
- 4- VHEDA (Vhembe Economic Development Agency) located in the Vhembe district municipality of Limpopo; offices in Khumbe-Lwamondo, Thohoyandou.

5- LED infrastructure comprises two main components, 'hard' physical infrastructure incorporating roads, rail, water, sewerage and drainage systems, and energy and telecommunications networks; and 'soft' infrastructure of social, cultural and community facilities and capacity that enhance the quality of life and encourage industry and business development.

6- <http://www.eurocities.org/>

7- <http://www.cdsindonesia.org/>

8- <http://www.sacities.net/>



(Local Economic Development Agencies in South Africa - six years later, Anmar Pretorius and Derick Blaauw; September 2005)

The most important and effective local economic development activity that a municipality can undertake is to improve the regulatory processes and procedures to which businesses are subjected by the municipality itself. A survey of most municipalities would reveal a number of complex, poorly managed, expensive and unnecessary business registration systems. By reducing these, a municipality can quickly improve its local investment climate.

#### **The LED Strategic Planning Process :**

Local economic development should always be conducted by a plan. Preferably, an LED strategy should form a component of a broader strategic development plan that includes social, political and environmental parts. LED strategies provide a focus on reinforcing the local economy and building local competencies. Any LED strategic planning is in general implemented for three to eight years and includes annual performance and action plans. LED strategic planning is a flexible practice and one stage often goes on in parallel with another according to local needs and reports. And it usually includes five main stages, we will try to highlight each of these stages in this paper, but at first we should cite them, as follows;

- **Stage 1:** Organizing the Effort
- **Stage 2:** Local Economy Assessment
- **Stage 3:** Strategy Making
- **Stage 4:** Strategy Implementation
- **Stage 5:** Strategy Review

#### **Stage 1: Organizing the Effort**

Maintaining and sustaining such partnerships is often the critical and challenging issue determining the success of LED efforts, and it's usually the start and the most important point in any LED strategy achievement; creating a collective and established visualization of the LED strategic planning process. The collaboration of the effort of public, private and non-governmental sectors, because an LED strategy is everybody's business is necessary to build up a Successful LED.

#### **Stage 2: Local Economy evaluation**

To identify and highlight a realistic, practical and achievable LED strategy stakeholders and local economic development role players should know and assess the features and characteristics of their local economy. That assessment would start with an initial re-identification of the existing relationships and activities within the local economy and above all the whole area, and will utilize the available qualitative and quantitative information that highlight and emphasize existing structures and movements in economic growth.

The local economy assessment is frequently used to:

- Identify public, private and non-governmental resources and properties;
- Collect and analyze existing quantitative and qualitative information; and use them to build up the most helpful LED strategy, that take in consideration the local resources, abilities,
- Establish data management systems for future use in monitoring and evaluation.

The first step in a local economy evaluation and assessment is to determine what information is available, pertinent, and required, and to identify the unclear, or missing data that will be necessary for the local economy assessment. After gathering this data, it will be obligatory to analyze the data so as to give a report about the local economy, its main characteristics and its situation. By the way; several tools just like SWOT (table 1) analysis, PEST analysis, benchmarking and regional economic indicators may be used to classify key information on the local economy. Effective and successful LED strategy planning will contain a review and analysis of the involvement of LED programs that are already happening in the area.

**Table 1: Examples of SWOT analysis:**  
*A SWOT Analysis could include:*

Example of issues of a local economy assessment	
<b>Strengths</b>	Skilled workforce, Competitive wage rates, Educational and research institutions, easy conditions to start up business in the local markets, Strong transportation system, Existing Strong organizations, Immediacy to local natural resources...
<b>Weaknesses</b>	High Poverty rates, Poor infrastructure, Local procedures complexity, Complex local banking system, Security lack.
<b>Opportunities</b>	Technological change, new international trade arrangements, political developments, expanding markets, the development of the transporting linkage, talented skilled workforce.
<b>Threats</b>	Social or demographic changes, global business scale down, political conflict, unstable exchange rates, migration of educated residents, Informal workforce; skilled workforce centralization.

**Source:** the ILO, edited by the authors.

By the way, in many less developing countries just like Algeria, information about the economy are available only at the national level. Collecting detailed information about the local economy can be an expensive procedure and an extremely hard challenge for small and intermediate towns with limited resources. In this situation, it is essential to consider a variety of processes and approaches to identify the local economy, its situation and its characteristics. Such approaches may take account of meetings with community groups and businesses, interviews, surveys, simple market studies, and available data about the local, regional, national and international economy.

#### **Stage 3: Strategy Making :**

Subsequent to organizing the efforts of local economic forces in comprehensive city strategic planning, the objective is to achieve an integrated approach to LED strategic planning. In devising strategy, practitioners in community government and principal stakeholder groups will need to describe their consensus on the preferred economic future of the community, determine their goals that are based on the overall vision and specify desired outcomes of the economic planning process, and according to that they can set out approaches to achieving realistic economic development goals. They are time bound and measurable, and then achieve their projects and action plans of the LED strategy.

#### **Stage 4: Strategy Implementation :**

An LED strategy is a general plan that has short, medium or long-term intends and actions and sets out what is going to be achieved. It will establish an agenda to promote and build up a local community's economic, social, physical and environmental strengths and will address both challenges and opportunities. Every LED strategy should have an implementation plan which is The LED Implementation Plan is a single document that contains all of the LED projects and programs within a strategy. The implementation plan establishes the finance and human resource requirements, and institutional and procedural implications of implementing the LED strategy. As a particular document that contains all of the LED programs and missions within a strategy, it serves as an integrated programming document to maintain transparency and clarity of strategy direction, and ensures that programs and projects do not inappropriately compete for resources and support. With a timeframe of a good implementation plan will result in a more efficient, well-organized and effective use of existing budgets, and can be used to attract funding from external sources such as national government, bilateral and multilateral donor agencies, and the private sector.



Whatever, LED action plans need to be identified by local economic forces and stakeholders and especially that LED action plans offer detailed information on development components including a pecking order of tasks, responsible parts, human resource and financial needs, a rational delivery timeline, sources of financial support, reasonable impacts, results, and systems for estimating steps forward for each project. Furthermore; projects should be realized by individuals or a group of stakeholders according to resources, interests, knowledge and commitment.

#### Stage 5: Strategy Review

While an LED strategy is usually written for a three to eight-year time, the policy should be re-valuated once or twice a year to allow for correction and adjustment in response to change in local conditions. Strategic control and review is the most important level in any LED strategy making, then it should be sustained and repetitive. A supplementary wide-ranging revision generally takes place every two to three years. The implementation of the LED strategy should however, be subject to a rigorous annual assessment. This review ought to consider the available properties and resources for the execution of the strategy and contain established and arranged supervising and evaluation indicators of the local economy. The strategy review must include resources, inputs, outputs, results and impacts, as well as the performance processes and progression, and the level and degree of stakeholders' participation. This review will allow local and national decision makers to adjust the strategy in response to changing local conditions and deficiency.

#### Ledas in algeria; challenges and opportunities:

Overview: Table: 2: source [www.wikipedia.org](http://www.wikipedia.org):

Capital (and largest city)	Algiers
spoken languages	Arabic, french
Government	Presidential Republic
Surface area	2,381,741 km <sup>2</sup> (11th) 919,595 sq mi
Population 2008 estimate	33,769,669
Population 1998 census	29,100,867
GDP (Gross domestic Product) (PPP) 2007 estimate - Total-	\$224.933 billion
GDP (Gross domestic Product) (PPP) 2007 estimate -Per capita-	\$6,538
GDP (nominal)-Total-	\$134.275 billion
GDP (nominal)-Per capita-	\$3,903
HDI Human development index (2007)	▲ 0.733 (medium)
Organisms in charge of investment:	1. Ministry of industry and Investment Promotion 2. The National Investment Council 3. The National Agency for Investment Development (ANDI)

Algeria currently has very favourable macro-economic and development situations. The good performance of crude oil prices especially in the last few months, however, the purchasing power of the inhabitants remains relatively limited. In this context, the Algerian government is making an effort to give a boost to activity, to diversify and liberalize the economy and support the private investment.

A number of sectors have been privatised during the last few years, such as telecommunications, tourism, maritime and air transport, and mining, and why not very soon, the energy sector; thus the weight of the state is starting to diminish. During the years to come, economic progress will depend on an improvement in the social and political climate and the capacity of the local authorities to reassure investors and develop and entrepreneurial class. And especially in the small and middle sized enterprises domain (SMEs), nevertheless; the level of unemployment is high: it is estimated at more than 25% unemployment affects essentially the young. The economy is not sufficiently diversified and the country is still too dependent on the price of crude oil. And even if the rural part is about 40 percent of the whole population, agriculture has suffered from a period of post colonial nationalisation and still remains too dependent upon the random effects of the climate.

Whatever Algeria still can take advantage of its geographical position in the center of the Maghreb, the potential of its population, its high quality and competitive labour force, a dense industrial fabric (steel industry, machinery, electronics, and especially petrochemical products, etc.) and now a new policy favourable to business. The wealth of gas and hydrocarbons means that this sector is the heavyweight industry of the Algerian economy. In Fact Algeria is in fifth place in the world for its reserves of natural gas and in 14th place for oil reserves. Europe's needs in natural gas and oil are an enormous advantage for Algeria. And especially that more than 95% of Algeria's exports of natural gas and oil are destined for the European countries.

#### **Algeria's Major Projects:**

Algeria has cited several projects and objectives that need to be achieved in the few next years such as the transformation of the production process which the Algerian economic growth strategy. It is agreed through a set of overall policies in order to develop the competitiveness and effectiveness of national business.

The performance of these strategies is conducted by virtue of several major projects which Algeria has led for many years and which namely concern the promotion of investments, the upgrading of businesses, the regulation of industrial activity, privatisation and the restructuring of the economic sector.

There's also the project or the strategy of the structural transformation of the economic system of Algeria, it's considered as an essential axis of Algeria's development strategy, is performed through considerable economic reorganizations implemented by beginning a set of other main projects and which for the most part absorb the monetary system and capital market, the economic property market and the goods and services market. These renovations transport about thoughtful changes and pose substantial confronts.

The Algerian government expenditures became very huge in the last few years, and now almost 200 billion dollars in public and private investments are expected for the 2005-2009 period, namely in heavy equipment and basic infrastructure. This is also shown by the increase in its economy's power: an average GDP growth rate of more than 5% a year is predicted between now and 2009.

(Source: [www.ANDI.dz](http://www.ANDI.dz); October 2008)

The large number of universities, institutional organizations and professional training centers, facilitate to companies the recruiting of quality staff.

The wealth of Algerian background and the traditions of hospitality make the hopes for the tourist industry perfectly lawful.

The ANDI (the National Investment Development Agency) has been created in 2001, a sign of the determination of the government to open up to foreign investment. Generally, strangers benefit from exactly the same customs and fiscal advantages as the nationals and have the possibility to repatriate the capital invested.

The ANDI is the entity responsible for direct foreign investment in Algeria, the first Algerian investment code was announced only in 1993 and the ANDI, following on from an initial agency (APSI), was created in 2001, with the adoption of the new law on investment. The ANDI is in charge to accompany both local and foreign investors, to facilitate their practical procedures and grant any fiscal and administrative exoneration. It is currently in the process of opening one-stop units in each region of the country, and that what can facilitate and simplify investment procedures and the creation of business within the national market.

Today, more than 300 people work within the ANDI, at the central level and in the first six regional one-stop. A central structure dealing with strange investments has been created within the head office of the agency. This structure which was started with little core team of executives is in the process of development thanks to the recruitment of qualified personal. The ANDI also takes care of domestic investment, which is its main mission. The ANDI benefits from aid granted to Algeria by the European commission in the context of the programme for industrial restructuring and privatisation.

After the years of relative economic stagnation, Algeria is now confronted with an important challenge: diversify its economy even more so as to escape the fluctuation of the international crude oil market and the random nature of its agricultural production.

This challenge can be observed through the government programmes and the sectoral and inter-sectoral policies introduced since the middle of the 1990s. Two priorities orientations have been decided upon and the Algerian authorities have provided the tools to encourage and facilitate investment procedures. Different investment support programmes for economic development over the last seven years which started in 2001 has benefited from a budgetary envelope of more than \$10 billion. Moreover and because of Algeria's raw materials, geographical position and surface area, and human resources it includes really great business opportunities. But the government, the local authorities, and the private sector should work together for few more years in order to build up a more sophisticated economic infrastructure, and sustainable economic growth, they can gather their forces and resources in order to create many organizations that can help them doing a well performing economic growth for the country, such as Local Economic Development Agencies (LEDAs) which were first set up in Europe at the end of the 1950's ([www.ilsleda.org](http://www.ilsleda.org)), and later several developed countries have created their own LEDAs, and now LEDAs are promoted by various governments and countries such as the US, Canada, Australia, and quite a lot of European governments as well as by the world bank (WB), and the International Labour Organization (ILO).

LEDAs are structured organizations established at local levels to persuade and encourage sustainable economic growth, local income, employment and upright jobs. The LEDAs' focus is on small and intermediary entrepreneurs. The aim of this document is to provide a historic overview of the establishment of LEDAs, their objectives and to evaluate their track records in several experiences from all over the world over the past five decades; And then try to get their similar advantages, strengths, and benefits in order to bring them up into the Algerian economic field. And especially that LEDAs advance various processes in aim to realize several goals and objectives, because they encourage the economic development of the area where they work, they also foster combination and coordination of local societies and associations around a collective vision of local economic development, and moreover; they promote and support local small and medium sized businesses; then create entrepreneurial background inside the society; furthermore LEDAs pay special attention to identify the most susceptible social groups and classify poverty lime-twigs.



#### LEDAS worldwide:

LEDAs have their beginnings in Europe during the late 1950's, in an effort to counter economic troubles experienced as result of business processes. Since that time LEDAs became efficient instruments in promoting sustainable local economic development. Now there exist more than 300 agencies worldwide. In 2003; 36 LEDAs were created in Latin America, Africa and Eastern Europe, sustained by the European Union (EU), the ILO, the United Nations Development Programme (UNDP), the United Nations Office for Project Services (UNOPS), and the Italian Cooperation. The first one to be recognized by this global collaboration was in the Granada Region in Nicaragua, 1991. The international experience since 1991 has made known how LEDAs concentrate on a variety of problems just like the battle against poverty and unemployment, reconstruction, the economic development, the economic stagnation, the support of micro and small businesses and the switch to the market economy.

Subsequent to periods of armed civil disagreement, LEDAs have proposed development opportunities benefiting the society economically and serving the population to understand that working together is in their own interest as a community. LEDAs are particularly equipped to help and support small and intermediate local businesses if they lack capability, expertise and influence. Actually there are many Eastern European areas are fighting with the challenge to convert to a market economy in the result of local armed conflicts and civil wars, as an alternative of relying on foreign money, LEDAs have supported in discovering occasions of local investment and formed fresh small local business owners.

LEDAs are functioning in different parts of the world in an attempt to address different problems. For example in the Balkan area problems associated to the transition to the market economy and the movement away from big multinational industrial economies to small enterprises have been undertaken effectively. Models of such LEDAs are found in Croatia, Albania and Serbia, and in Africa such as South Africa, Angola and Mozambique, this poses the challenge of allowing local susceptible people and support local business people to gain from local resources especially those marginalized from the local and national economic field, and by the way; that could happen better if the structure of the LEDAs could contain different local economic actors, thus usually at the head of a LEDA would be a general assembly, then a board of directors, followed by the local manager and his team. This structure allows for participation by local actors in the economic development of their region, e.g. local governments, professional associations national public institutions, universities, non-governmental organizations (NGOs), etc.

#### Using the LED agencies to achieve the economic growth goals:

Since their first appearance, LEDA had and still having a really great role on the economic development, and the achievement of the economic goals of the nation where they exist; and the LED agencies main objectives are extremely relative to the following ones:

- Foster the economic development of the territory where it works; tap the endogenous potential of a territory.
  - Capitalize on endogenous resources and concentrate on support for those groups with the most difficult access to regular economic and financial circuits.
  - Foster integration and coordination of local institutions and associations around a shared vision of local economic development.
  - Promote local small and medium sized business; create entrepreneurial culture.
  - Plan and bring into being a system of services to public and private organizations that can support local economic development.
  - Pay special attention to identifying the most vulnerable social groups and identifying poverty traps.
- And by the way, any LED Agency has its own missions that frequently are:
- Help local and foreign business owners to start up their businesses within the region
  - Create jobs.
  - Promote and support small and medium-sized businesses in the various branches of production.
  - Improve the economic context and opportunity of the territory.
  - Promotes free competition among healthy businesses.
  - Provides tools for economic development that include the weakest and most vulnerable.
  - Uses businesses as a weapon in the fight against poverty.
  - Develops relationships of collaboration and cooperation across sectors.

- Allows the local government to be the direct actor.

**Several core characteristics of a LEDA are :**

**It is an organized structure :**

- LEDAs have their own legal structure and functional autonomy; it has a legal framework.
- They involve local actors from both the public and private sector; consortium of public and private sector groups.
- Non-profit association.
- Bundles services together: financial services, technical assistance, training of potential entrepreneurs, territorial service.
- Institutional entity -- plays a role in the local and national political picture.
- Contractual entity -- independent access to funding, to subcontracts and services, to national and international programs.
- Administrative entity-implement projects and provide services and credit.

**It is a territorial structure :**

- Tool for development policy in decentralized states.
- Provides practical support for national policies concerning the decentralization of economic development decision-making and services.

**Forum for social dialogue :**

- Forum where local actors can promote and determine their own processes of economic development.
- LEDA - autonomous and democratic quality: public institutions and local associations are participants, but LEDA is not accountable to individual parties but to the general assembly.
- Space for decision-making.

**Coordinates local economic development planning and implementation :**

- Assembles all the actors in order to design a strategy for local economic development.
- Indicates the most promising sectors, priority interventions and their configurations.
- Provides technical assistance to the local administrations responsible for planning.
- Assists the entrepreneur to find a good idea and develop his or her business plan, ascertaining its feasibility.
- Assists businesses both during start-up and in their initial period of activity.

**Weapon against poverty :**

- Credit is accessible to all: LEDAs act as guarantors with the banks, providing collateral for the poor.
- Associative structure enables all territorial organizations to participate and play a role in the decision-making process.
- Vehicle for small producers to market products outside the local area.

**Provides Credit :**

- Helps to finance business plans.
- Credit disbursed on the basis of feasibility of project.
- LEDAs currently boast high loan repayment levels.

**Sustains enterprise development and sustainability :**

- Helps the beneficiary to draw up business plans and provides inexpensive credit.
- Helps in formulating reliable business plans, credit disbursement and post-financing assistance.

**Social Benefits :**

- Protects and enhances the environment. Business plans that capitalize on environmental resources and introduce new environment friendly, energy-efficient "The challenge is to find the rules and the institutions for stronger governance local, national, regional and global -- to preserve the advantages of global markets and

competition, but also to provide enough space to ensure that globalization works for people, not just for profits" (Human Development Report, UNDP, 1999). Technologies receive a higher score for their financing.

Is an additional resource for women; i.e., many offer subsidized credit lines to assist the creation of businesses and projects that address their deep-felt needs.

**Has links with national and international networks :**

**What do LED Agencies do? What Programs do LED Agencies Implement?**

**What LED agencies do:**

Integrate the business in the lines of production that are the center of the endogenous local development.

- Assist the entrepreneur to find a good idea and develop his or her business plan by providing information on business opportunities and offering specific technical assistance.

- Assist businesses both during start-up and in their initial period of activity (Supply support in organizing production, perfecting technology and administration, managing markets, and marketing).

- Provide financial support, facilitating access to credit on reasonable terms.

- Prepares a consolidated plan for local economic development that constitutes a reference point not only for its members but also for national and international organizations interested in investing in the territory.

- Launches key lines of production for the territory, by creating a significant number of new enterprises and financing and reinforcing existing ones.

- Introduces Special Training Programs.

**Programs that LED agencies implement:**

- Territorial development plans.

- Studies and surveys directed at local and territorial organization.

- Specialized technical assistance for local institutions.

- Enhanced coordination of different actors engaged in the area.

- Orienting international cooperation and national development programs.

- Overall business support: formulation of territorial and business development plans, locating potential sources of funding, applying to the appropriate bodies for finance and following through on the applications.

- Local marketing campaigns.

- Provide information on area's resources and potential, laws, regulations, and consumption.

- Encouraging the creation and spread of other specialized services, such as financial and commercial services.

- Research and education of entrepreneurial activities.

**Procedures to Set-Up and Build a LED Agency :**

**Promoting the Idea & Making Contacts :**

- Promote the idea with potentially interested parties.

- Identify possible founding members.

- Seek their consensus and encourage their dialogue and participation in designing and implementing the project.

- Hold individual meetings with the different groups to hear different viewpoints (i.e. public authorities and local administrations, local offices of State or public-interest institutions, universities, trade associations and unions, international development agencies, etc.).

**Organize Local Meetings & Establish a Committee :**

The purpose of the LEDA committee is to draft a plan for the LEDA:

- Organize a profile of the structure, setting out objectives, organization, functions, legal form, budget, projects and activities.

- Formulate a plan indicating the main operational stages.

- Draft by-laws-basic rules for governing (esp. by-laws that facilitate the entry of new members).

**Presenting the LEDA :**

- Contact competent national authorities and institutions in order to present the idea to them and define the relationship between the LEDA and national policies.



**Equip the LEDA With Necessary Instruments to Operate:** A short-term plan of operations (The steps needed to establish procedures, find offices, etc, the activities for training its members and future technical staff, promote LEDA in the territory).

- a formal budget and initial investment in the LEDA; costs must cover the following:
- capital formation expenses
- operating expenses
- program expenses
- Procedures for managing the credit fund.
- Operating procedures that are clear, defined, adopted and ensure qualitative standards, such as transparency and democracy.
- personnel selection procedures.
- Offices and equipment; the LEDAs headquarters needs to be recognizably autonomous (headquarters are always located in the territorial capital, up-to-date computers and Internet connection should be implemented whenever possible).
- initial external visibility.
- Legal personality: legal consultants and support from central government.

**Give Priority to Initiatives that Maximize Visibility or Respond to Emerging Needs :**

- Build credibility as an institution that responds to concrete local needs.
- for instance, the reconstruction of a road of strategic importance for marketing local crops, improvement of transportation systems or the opening of a credit line from agricultural commodities.

**Technical Team Does a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis.**

- Identify the local economy's most promising sectors and the main impediments to the unfolding of its potential.
  - Business plans should exploit the area's potential and respond to the needs of the population.
- Expand the local economy to the benefit of the entire population.

**Conclusion:**

Instead of relying on the unstable crude oil prices, Algeria, now and more than ever is in need to good economic growth strategies, by which it can achieve both the macro and microeconomic objectives, but at before doing that we should ask a simple question, if LED is indispensable, why doesn't it happen, in Algeria? Anyway, the Algerian government has started in a first-rate progress in that way, by creating couple organizations, which are **The National Investment Council** and **The National Agency for Investment Development (ANDI)**, thus it should carry on that way, in order to help small and medium sized businesses to start up and succeed within the Algerian national markets, but all that is not enough, because the other economic, social, political, and legal forces including the universities, institutional organizations, professional training centres, professional associations national public institutions, universities, NGOs, non for profit organizations and so on should work together, as a one man, to achieve the main objectives of the economic activity, and moreover to help their selves reducing poverty and unemployment as simple goals of Local Economic Development; and specially that LED is everybody's business, then if we don't care about our future, who should do?

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